

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP
JULY 8, 2015**

DIRECTORS PRESENT

Committee Chair James Haselton
Committee Member Michael Safranski

STAFF PRESENT

Hector Ruiz, General Manager
Michael Perea, District Secretary
Karen Warner, Accounting Supervisor
Lisa Carmouche, Administrative Assistant

DISTRICT CONSULTANTS

Cindy Byerrum, District Treasurer

PUBLIC PRESENT

There were no members of the public present

CALL MEETING TO ORDER

Mr. Haselton called the July 8, 2015, Finance/Audit Committee Meeting to order at 7:02 A.M.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

Mr. Safranski commented on his attendance at the Irvine Ranch Water District (IRWD) Baker Water Treatment Plant Tour, and mentioned that the IRWD staff provided a good tour of the various areas and facilities under construction. Discussion occurred concerning the Baker Water Treatment Plant project timeline for completion.

Mr. Haselton had no comments.

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz commented on the following matters:

- Mr. Ruiz mentioned that he was scheduled to participate in a State Water Resources Control Board webinar on the subject of water rates later that morning.
- Mr. Ruiz mentioned that he was scheduled to attend a South County Water Workshop at Supervisor Lisa Bartlett's office later that day.

FINANCE AUDIT COMMITTEE MEETING RECAP JULY 8, 2015

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The June 10, 2015, Finance/Audit Committee Meeting Recap was presented to the Committee.

RECOMMENDED ACTION:

The Committee approved and recommended that the June 10, 2015, Finance/Audit Committee Meeting Recap be received and filed by the Board (Consent Calendar).

ITEM 2: RATIFICATION OF DIRECTORS' FEES AND EXPENSES, TENTATIVE FUTURE MEETINGS/ ATTENDANCE ITEMS

The Committee reviewed the information presented.

RECOMMENDED ACTION:

The Committee recommended that the Directors' expenses and fees for June, 2015, and the tentative future meetings be forwarded to the Board for ratification (Consent Calendar).

ITEM 3: DISCUSSION AND POSSIBLE ACTION CONCERNING TCWD'S RATE ANALYSIS OF THE WATER, RECYCLED WATER, AND WASTEWATER SYSTEMS

Mr. Ruiz presented this matter for Committee review, and mentioned Ms. Byerrum was in attendance to answer any of the Committee's questions. Ms. Byerrum commented that an internal Proposal Review Committee comprised of District staff was formed to review the proposals and select the consultant, and she presented a Rate Analysis Evaluation Form handout for Committee review. Ms. Byerrum added that District staff evaluated five proposals and shortlisted three of the five firms for additional review and reference checks. Ms. Byerrum mentioned that Raftelis Financial Consultants (RFC) proposal and rate model were superior to the other candidates, and although RFC's proposal was higher than the others, they had dedicated the most hours to the rate analysis. Discussion occurred concerning rate analysis costs and the quality assurance and control methodology. Ms. Byerrum reviewed the RFC proposal with the Committee and highlighted their reference check results. Discussion occurred concerning rate analysis challenges and timeline for completion. Mr. Safranski commented on the District's history of rates, operations complexity and high elevations in comparison to other Orange County areas. Mr. Safranski stated that a rate analysis and the approval of rates is one of the most important policy issues for the Board of Directors.

RECOMMENDED ACTION:

The Committee received the information concerning the matter and recommended forwarding the Raftelis Financial Consultants Proposal for Rate Analysis Services to the Board for approval (Action Calendar).

ITEM 4: OTHER MATTERS

Mr. Ruiz commented on the following matters:

- Mr. Ruiz mentioned that the District is required to respond to an Orange County Grand Jury Report titled "Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation". Mr. Ruiz added that the report concerns joint powers authority issues of liability, controls, and solvency. Discussion occurred concerning the Trabuco Canyon Public Financing Authority (TCPFA) and the Trabuco Canyon Improvement Corporation (TCIC). Mr. Ruiz mentioned that the annual meetings for the TCPFA and TCIC are scheduled for July 15, 2015.

RECOMMENDED ACTION:

There was no recommended action.

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ITEM 5A: FINANCIAL REPORT

Ms. Byerrum presented the unaudited financials for May, 2015, for Committee review, and highlighted the following items:

Statement of Revenues and Expenses

- Operating Revenue – Residential Water:

Ms. Byerrum mentioned that the District's Total Operating Revenue was similar to the budgeted amount for this time of year. Ms. Byerrum added that Residential Water sales for May 2015 were lower than the prior month due to conservation efforts district-wide as a result of the State Water Board's mandated emergency regulations.

- Developer Impact Fees

Ms. Byerrum highlighted that the difference from the current and prior month was due to the developer fees received for the Skyridge development.

RECOMMENDED ACTION:

The Committee recommended that the Board receive and file the May, 2015, unaudited Financial Statement, as presented (Consent Calendar).

ITEM 5B: FINANCIAL REPORT

Mr. Ruiz presented the bills for consideration for July 8, 2015.

RECOMMENDED ACTION:

The Committee signed the bills for consideration and the warrant register, and recommended that the Board ratify payment of the bills for consideration for July 8, 2015, as presented (Consent Calendar).

ADJOURNMENT

Mr. Haselton adjourned the July 8, 2015, Finance/Audit Committee Meeting at 7:35 A.M.